HORNE ASIA SDN. BHD. & ANOR.

v.

OZVENT (M) SDN. BHD. & 2 ORS.

HIGH COURT MALAYA, KUALA LUMPUR
DATO' HAJI ABDUL MALEK BIN HAJI AHMAD J
[CIVIL SUIT NO. D5-22-895-94]
25 JANUARY 1995

***INTELLECTUAL PROPERTY**: Application by plaintiffs to restrain defendants from infringing trademark and passing off product registered in Australia under name of "Ozvent" - Distributorship agreement entered into between parties for distribution in Malaysia and Singapore - 1st defendant incorporated to facilitate distribution and "Ozvent" registered under 1st defendant's name - Plaintiffs' terminating agreement - Defendants continuing to distribute product - 1st defendant claiming goodwill attributable to 1st defendant's vigorous marketing - Whether 1st defendant had ownership of goodwill of plaintiffs' product - Whether the balance of convenience lay with the plaintiffs or defendants.*

This was an application by the plaintiffs for *inter alia* an order to restrain the defendants from infringing the plaintiffs' trademark and/or passing off their product, aluminium wind-driven ventilators known as "Ozvent" registered in Australia on 1 March 1994 by the original distributors, Ampelair Australia Pty. Ltd. (Ampelair).

In February 1992, Barry Horne, one of the two shareholders in Ampelair took over the entire equity of Ampelair and changed its name to that of the 2nd plaintiff. It was subsequently decided to market the product outside Australia and arrangements were made for one Peter Chua to act as distributor for the 1st plaintiff in Malaysia and Singapore. The 1st defendant was incorporated and the trademark "Ozvent" was registered under the 1st defendant's name. Notwithstanding the parties failure to agree on the terms of a formal licence agreement, a distributorship agreement was entered into based on the plaintiffs' letter dated 12 January 1993 but when the distributorship agreement ended in August 1994, the defendants continued to distribute the product in complete infringement of the licence and even set up a manufacturing plant with the same product.

Counsel for the defendants submitted that this was a passing off case and not a trademark infringement case and that it was possible to own the goodwill without owning the trademark. He further submitted that the reputation and goodwill was attributable almost entirely to the 1st defendant as the defendants were solely responsible for the marketing of the product which the public identified with the 1st defendant. Furthermore, all complaints regarding defective products were directed to the defendants.

Held:

[1] The defendants had argued that all complaints as regards the defective products were directed to them but it must be noted that they were in fact sent to the plaintiffs as manufacturers to correct the defects. The defendants also submitted that the success of the plaintiffs' products must be attributed to the business acumen of Peter Chua himself but this must be read in the light of the fact that it was an averment by the defendants themselves which diminishes in value considering the relevant advertisements highlighting the name of a foreign general manager and a foreign manufacturer were for the purpose of attracting sales. Considering all these factors and the plaintiffs' letter dated 12 January 1993, it is not the 1st defendant who built up the reputation and goodwill of the plaintiffs' products.

[2] The plaintiffs' products and the 1st defendants' ventilators are similar in all respects except for the figure "II" after "Ozvent" and it would tend to confuse the public who would certainly think the 1st defendant's product was also manufactured by the plaintiffs despite the difference in quality. In the circumstances, the balance of convenience lay in favour of the plaintiffs. The plaintiff's application is granted subject to an undertaking as to damages.

[Application granted].

Cases referred to:
Chong Fok Shang & Anor. v. Lily Handicraft & Anor. [1989] 2 MLJ 348 ***(refd)***
Westpac Banking Corporation v. Goodmaker Leasing Corporation Berhad & Anor. 8 1 PR 9 ***(refd)***
Nishika Corporation & Ors. v. Goodchild & Ors. [1990] FSR 371 ***(refd)***
Hai-O Enterprise Bhd. v. Nguang Chang @ Nguang Chan Liquor Trader (a firm, intervening) [1992] 4 CLJ 1985 ***(refd)***
Dental Manufacturing Company Ltd. v. C. De Trey & Co. [1912] RPC 617 ***(refd)***
C.G. Vokes Ltd. v. F.J. Evans and Marble Arch Motor Supplies Ltd. [1932] RPC 140 ***(refd)***
T. Oertli A.G. v. E. J. Bowman (London) Ltd. & Ors. [1959] RPC 1 ***(refd)***
Adrema Ltd. v. Adrema-Werke GMBH and BEM Business Efficiency Machines Ltd. [1958] RPC 323 ***(refd)***
Jaeger Company Ltd. v. Prof. Dr. G. Jaeger [1929] RPC 337 ***(refd)***
Sturtevant Engineering Company Ltd. v. Sturtevant Mill Co. of USA Ltd. [1936] RPC 430 ***(refd)***
Fellowes & Son v. Fisher [1976] 1 QB 122 ***(refd)***
Tinta Press Sdn. Bhd. v. Bank Islam Malaysia Bhd. [1987] 2 MLJ 192 ***(refd)***
Cayne & Anor. v. Global Natural Resources plc [1984] 1 All ER 225 ***(refd)***

Legislation referred to:
Trade Marks Act 1976, s. 14

Other sources referred to:
The Law of Passing-Off, Christopher Wadlow, p. 73
The Law of Intellectual Property, Staniforth Ricketson, pp. 619 & 620

For the plaintiffs - David Morais (P.S. Khoo with him); M/s. P.S. Khoo & Associates
For the defendants - Timothy Siaw; M/s. Skrine & Co.

JUDGMENT

Haji Abdul Malek bin Haji Ahmad J:

Upon a certificate of urgency, the plaintiffs had filed the summons in chambers on 14 October 1994 applying for the following:

1. That upon the plaintiff by his Counsel undertaking to abide by any Order that this Honourable Court or a Judge may make as to damages in case this Honourable Court or a Judge should hereafter be of the opinion that the defendants shall have sustained any be reason of the Order to be made herein which the plaintiff ought to pay:

   (a) an Order to restrain the defendants whether by themselves, their directors, agents, servants or any of them or otherwise howsoever from doing the following acts or any of them, that is to say:

   (i) Offering for sale, selling, exporting, importing, manufacturing, distributing, disposing of or parting with possession, or otherwise howsoever dealing in goods bearing the mark "Ozvent" or any colourable imitation thereof but not of the plaintiff's manufacture or origin, or otherwise howsoever infringing the plaintiff's mark until further order;

(ii) using in any way in the course of trade or business or carrying on a business under the style, title and business name which comprises the name "Ozvent" or any name or style which includes the words "Ozvent" or any part or parts thereof or any other business name or style which is substantially identical or deceptively similar to the name "Ozvent" or is colourably or confusingly similar thereto;

(iii) passing off or attempting to pass off any/or enabling or assisting others to pass off the business and the product of the defendants as and for the business and product of the plaintiff by the use in connection therewith of the name "Ozvent" or any name containing the said words or any colourable imitation thereof or nearly resembles the same as to be calculated to deceive the trade and public and/or to induce the belief that the business carried on and product produced by the defendants are the same as the business and product of the plaintiff or is authorised by the plaintiff or is in any way connected therewith or any other means.

2. That the defendants do within four (4) days of the date of service of this Order deliver up to the plaintiff all goods or other materials in the possession, power or custody or control of the defendants, which goods or other materials would offend the terms of any Order granted herein, and verify upon oath that the defendants no longer have in their possession, power, custody or control any goods or materials so marked;

3. That the costs, including the costs of this application and all storage charges incurred, be paid by the defendants to the plaintiff;

4. Such further or other relief as this Honourable Court may deem fit.

The matter was heard *interpartes* on 7 December 1994 and, on 4 January 1995, I had granted the order in terms of the plaintiffs' application with the usual undertaking for damages.

Learned Counsel for the plaintiffs had submitted that the whole idea of the application was to protect the plaintiffs' right to the name "Ozvent" which in Australia is owned by the second plaintiff who are the inventors of the mark and the manufacturers and distributors of the product namely an aluminum wind-driven ventilator used both domestically and commercially.

As averred in the affidavit supporting the application, the first plaintiff had undergone a change of name from Viva Power Sdn. Bhd. to Barry Horne (Malaysia) Sdn. Bhd. in September 1992 and then to its present name on 28 March 1994. The equity is held by Barry Horne and his wife who are the shareholders of the second plaintiff which is incorporated in Queensland, Australia.

The original distributors of the Ozvent products in Australia was a company known as Ampelair Australia Pty. Ltd. of which Barry Horne was one of the two shareholders. Ampelair began operations in March 1990 as distributors of a similar American product bearing the mark "Leslie Locke" and in 1991 they had designed the Ozvent mark. Ampelair had applied for the registration of the said mark in Australia on 9 October 1991 and the registration was effected on 1 March 1994.

In February 1992, Barry Horne took over the entire equity of Ampelair and changed its name to that of the second plaintiff. In view of the large market share which the Ozvent product had created, Barry Horne had decided to manufacture it as well. By this time, the Ozvent mark had achieved approximately fifty per cent of the Australian market in ventilators and the name and get up had become familiar enough to the public to be a household name. Subsequently, Barry Horne had decided to market the product outside Australia.

In 1992, he was approached by one Eddie Yong who was interested in distributing the product in Malaysia. The first shipment purchased was a container load of seven hundred and ten units of the product delivered to Ausvent Sdn. Bhd. in late January 1992. In April the same year, Barry Horne had purchased a local shelf company by the name of Viva Power Sdn. Bhd. with a view to using Malaysia as the manufacturing base for the Ozvent product. In July, he was introduced to Peter Chua who expressed an interest in acquiring the distributorship of the Ozvent product. At the same time, Eddie Yong was not keen in continuing as distributor and the arrangement was for Peter Chua to purchase the distributorship from Ausvent Sdn. Bhd. and act as distributor for the first plaintiff in Malaysia and Singapore.

As Barry Horne wanted to set up a factory to manufacture the Ozvent product in Malaysia, he had, as stated earlier, changed the name of Viva Power Sdn. Bhd. to Barry Horne Malaysia Sdn. Bhd. It was at this juncture that Peter Chua told him that he had incorporated the first defendant and had filed an application to register the mark "Ozvent" under the first defendant's name.

Barry Horne had then expressed concern both over the incorporation of the first defendant and the application for registration of the mark but Peter Chua had reassured him that the mark would only be used so long as the distributorship subsisted and that the licence to use the mark would revert to Barry Horne or his nominee in the event the distributorship was terminated. On this basis and expecting a long term amicable business relationship based on mutual trust, Barry Horne had not objected to the incorporation and the application for registration.

Barry Horne and Peter Chua had then entered into negotiations with a view to executing a formal licence to distribute the product. The first defendant, however, had rejected the proposed agreement drawn up by the first plaintiff's solicitors but had instead submitted their own proposed agreement. This was not accepted by the first plaintiff as it included an exclusive licence to use the mark and a clause acknowledging that the first defendant's corporate name was registered with the prior consent of the first plaintiff. It had also omitted a minimum purchase requirement.

The defendants are not disputing the fact that in the distribution exercise, both plaintiffs had actually participated in the promotion of the product financially and by way of training the first defendant's sales staff in technical and marketing aspects. The distributorship agreement came to an end in August 1994 and since then, the defendants had acted in complete infringement of the licence. The defendants had now set up their own manufacturing plant with the same product and get-up. In effect the defendants were passing off their products as that of the plaintiffs.

Learned Counsel for the defendants had stated in his reply that when the application was originally filed, the first plaintiff, as the sole plaintiff then, had claimed to be the owner. When they were put to strict proof by the defendants, the first plaintiff had produced a letter from the second plaintiff, who was not a party then, purporting to assign the Ozvent mark to the first plaintiff. The second plaintiff was subsequently made a party to the action. He added that since they applied to register the mark in Malaysia in October 1992, even the first plaintiff was not sure who owned the mark here. The first defendant reiterated that they were the first user and so they can apply to register the mark. Learned Counsel went on to submit, this was a passing off case and not a trade mark infringement case. He said that it was possible not to own the trade mark but yet own the goodwill therein.

He further submitted that the relationship between the first plaintiff and the first defendant was more like that of a contract manufacturer and a distributor cum producer respectively and it was due to Peter Chua's extensive experience in building up the business that had helped to set up the distributorship network in Malaysia. As such, the reputation and goodwill was attributable almost entirely to the first defendant especially so when the defendants were solely responsible for the marketing of the product. He had stated that the plaintiffs had not shown that the public identified the Ozvent mark with the plaintiffs whereas there is compelling evidence that the trade and the public regard the first defendant as the source of Ozvent ventilators. Consequently, it is the plaintiffs who are misleading the public by using Ozvent. He also said the plaintiffs had never objected to the first defendant incorporating the name in July 1992 in Malaysia and subsequently in Singapore and that it was the plaintiffs who had terminated the distributorship agreement.

Section 14 of the Trade Marks Act 1976 states that a mark or part of mark shall not be registered as a trade mark if the use of which is likely to deceive or cause confusion to the public. Staniforth Ricketson in *The Law of Intellectual Property* discusses as to who may apply for registration at pp. 619 and 620 and says the one who claims to be the proprietor, if his claim of prior use is opposed by someone else, has to prove authorship of the mark, the intention to use it upon or in connection with the goods and the applying for registration.

As for the ownership of goodwill, this question had been examined in *The Law of Passing-Off* by Christopher Wadlow and at p. 73 it is stated:

> To expand, the following questions are relevant as to who owns the goodwill in respect of a particular line of goods, or, *mutatis mutandis*, a business for the provision of services:
>
> (1) Are the goods bought on the strength of the reputation of an identifiable trader?
>
> (2) Who does the public perceive as responsible for the character or quality of the goods? Who would be blamed if they were bad?
>
> (3) Who is most responsible in fact for the character or quality of the goods?
>
> (4) What circumstances support or contradict the claim of any particular trader to be the owner of the goodwill?
>
> If none of these gives a result, the goodwill may generally be assumed to belong to the actual manufacturer of the goods.

It is quite clear that to expand the sales and distribution of their products, the plaintiffs had appointed first Ausvent (M) Sdn. Bhd. as their distributor and subsequently the first defendant. The formal licence agreement between the parties had been prepared but had not been signed as the terms were not agreed to. In the result, the first defendant had continued as distributor based on the plaintiffs' letter dated 12 January 1993 and the distributorship agreement was terminated on 5 August 1994. Following the termination, the first defendant began to distribute ventilators manufactured by the second defendant and sold through the third defendant which were similar to that of the plaintiffs.

The defendants had contended that before the first defendant did the distributorship of the plaintiffs' products, they were not known in Malaysia. It was the first defendant who had vigorously promoted the product. However, it must be observed that all the advertisements done by the first defendant bore the name of the first plaintiff's general manager and cited the first plaintiff as manufacturer.

The defendants had also argued that all complaints as regards the defective products were directed to them but it must be noted that they were in fact sent to the plaintiffs as manufacturers to correct the defects. The defendants had also submitted that the success of the plaintiffs' products must be attributed to the business acumen of Peter Chua himself but this must be read in the light of the fact that it was an averment by the defendants themselves which diminishes in value considering the relevant advertisements highlighting the name of a foreign general manager and a foreign manufacturer for the purpose of attracting sales. Considering all these factors and the plaintiffs' letter dated 12 January 1993, I would hold that it is not the first defendant who had built up the reputation and goodwill of the plaintiffs' products.

The plaintiffs' products and the first defendant's ventilators are similar in all respects except for the figure "II" after "Ozvent" and it is my view that it would tend to confuse the public who would certainly think the first defendant's product is also manufactured by the plaintiffs despite the differences in quality.

In these circumstances, my considered opinion was that the balance of convenience lay in favour of the plaintiffs and I had accordingly granted the order in terms of the plaintiffs' application subject to an undertaking for damages.